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An Act To Clarify Guaranteed Fund Protection for Deferred Compensation Accounts

Emergency preamble. Whereas, acts and resolves of the Legislature do not become effective until 90 days after adjournment unless enacted as emergencies; and

Whereas, current financial and economic conditions have raised concerns about the financial health of certain insurance companies that provide deferred compensation plans to State employees and other government employees; and

Whereas, this bill clarifies that individual deferred compensation accounts are protected through the Maine Life and Health Insurance Guaranty Association if a deferred compensation provider becomes insolvent; and

Whereas, immediate enactment of this Act is necessary for the protection of individuals with investments in governmental retirement benefit plans in the event of an insolvency; and

Whereas, in the judgment of the Legislature, these facts create an emergency within the meaning of the Constitution of Maine and require the following legislation as immediately necessary for the preservation of the public peace, health and safety; now, therefore,

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 24-A MRSA §4603, sub-§2, ¶L, as enacted by PL 2005, c. 346, §2 and affected by §16, is amended to read:

L. Any unallocated annuity contract, except any annuity, whether allocated or unallocated, issued to a governmental retirement benefit plan established under the United States Internal Revenue Code, 26 United States Code, Section 401, 403(b) or 457; and

Sec. 2. 24-A MRSA §4603, sub-§3, ¶B, as enacted by PL 2005, c. 346, §2 and affected by §16, is amended to read:

B. With respect to one life, regardless of the number of policies or contracts:

(1) Three hundred thousand dollars in life insurance death benefits, but not more than \$100,000 in net cash surrender and net cash withdrawal values for life insurance;

(2) The following limits for health insurance benefits:

(a) Three hundred thousand dollars for coverages not defined as disability insurance or basic hospital, medical and surgical insurance or major medical insurance, including any net cash surrender and net cash withdrawal values;

(b) Three hundred thousand dollars for disability and long-term care insurance; or

(c) Five hundred thousand dollars for basic hospital, medical and surgical insurance or major medical insurance; or

(3) One hundred thousand dollars in the present value of annuity benefits, including net cash surrender and net cash withdrawal values; or

Sec. 3. 24-A MRSA §4603, sub-§3, ¶C, as enacted by PL 2005, c. 346, §2 and affected by §16, is amended to read:

C. With respect to each payee of a structured settlement annuity, or beneficiary or beneficiaries of the payee if deceased, \$100,000 in present value annuity benefits, in the aggregate, including net cash surrender and net cash withdrawal values; and

Sec. 4. 24-A MRSA §4603, sub-§3, ¶D is enacted to read:

D. With respect to each individual participating in a governmental retirement benefit plan established under the United States Internal Revenue Code, 26 United States Code, Section 401, 403(b) or 457, or the beneficiaries of each individual if deceased, the financial interest of such participant allocated to an annuity contract by either the member insurer that issued the annuity or the plan, but not to exceed in the aggregate \$250,000 in present value of annuity benefits, including net cash surrender and net cash withdrawal values under all such annuities issued by the same member insurer.

Sec. 5. Application. This Act applies with respect to an insolvency of an insurance company that is a member of the Maine Life and Health Insurance Guaranty Association that occurs on or after the effective date of this Act.

Emergency clause. In view of the emergency cited in the preamble, this legislation takes effect when approved.

Effective May 11, 2009.